

STATE FINANCE COMMITTEE
OLYMPIA, WASHINGTON

July 23, 2002

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
 Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer
 Svein Braseth, Office of the State Treasurer
 Shad Pruitt, Office of the State Treasurer
 Dean Torkelson, Seattle-Northwest Securities
 Tom Morrill, Office of the Attorney General
 Chia Jung Yang, Montague DeRose & Associates
 Rob Shelley, Seattle-Northwest Securities
 William Tonkin, Foster Pepper & Shefelman
 Vicki Cox, Office of the State Treasurer
 Amy Arnis, Department of Transportation
 Barton Potter, Office of the State Treasurer
 Randy Boss, CAT (Citizens Against Tolls)
 Susan Melvin, Office of the State Treasurer
 Linea Laird, Department of Transportation
 Bill Starkey, Department of Transportation
 Rich Ybarra, Department of Transportation
 Mike Roberts, Office of Financial Management
 Pam Johnson, Office of the State Treasurer
 Suzanne Coit, Office of the State Treasurer
 Jennifer Lannoye, Office of the State Treasurer
 Nancy Notter, Office of the State Treasurer
 Kristi Wolgamot, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the May 14, 2002 meeting be approved.
Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin stated that proposed Resolution No. 958 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2003A in the aggregate principal amount of \$159,570,000; fixing the interest rates and designating serial and term bond maturities for the bonds; all in accordance with Resolution No. 956. Mr. Martin stated that four bids were received and accepted electronically through Parity at 8:00 a.m. Salomon Smith

Barney, Inc. submitted a true interest cost (TIC) of 4.8377844%; Merrill Lynch & Co. submitted a TIC of 4.8153738%; Morgan Stanley, Dean Witter submitted a TIC of 4.8657861%; and UBS PaineWebber Inc. submitted a TIC of 4.8496967%, with the apparent low bidder being Merrill Lynch & Co. Chairman Murphy asked if the bids met the requirements of Surebid and if the bid amount was verified. Mr. Martin confirmed that they did.

Mr. Martin presented proposed Resolution No. 958 to the committee.

Resolution No. 958 awards the sale of approximately \$159,570,000 State of Washington Various Purpose General Obligation Bonds, Series 2003A, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 380, Laws of 1999, Reg. Sess., Chapter 9, Laws of 2001, 2nd Sp. Sess.; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 958. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 959 accepts the bids for the purchase State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2003T (Taxable) in the aggregate principal amount of \$24,885,000; fixing the interest rates for the bonds; in accordance with Resolution No. 957. Mr. Martin stated that a record thirteen bids were received and accepted electronically through Parity at 8:00 a.m. UBS PaineWebber Inc. submitted a true interest cost (TIC) of 3.7488436%; US Bancorp Piper Jaffray submitted a TIC of 3.7763600%; J.P. Morgan Securities, Inc. submitted a TIC of 3.7850831%; First Albany Corp. submitted a TIC of 3.8302476%; Griffin, Kubik, Stephens & Thompson, Inc. submitted a TIC of 3.8369836%; Wachovia Bank, National Association submitted a TIC of 3.8491003%; Salomon Smith Barney, Inc. submitted a TIC of 3.8716927%; RBC Dain Rauscher Inc. submitted a TIC of 3.8720009%; Morgan Stanley, Dean Witter submitted a TIC of 3.8760307%; Raymond James & Associates, Inc. submitted a TIC of 3.8932629%; NBC Capital Markets Group, Inc. submitted a TIC of 3.9051117%; Morgan Keegan & Company, Inc. submitted a TIC of 3.9196138%; and Wells Fargo Brokerage submitted a TIC of 3.9959963%, with the apparent low bidder being UBS PaineWebber Inc. Chairman Murphy asked if the bids met the requirements of Surebid and if the bid amount was verified. Mr. Martin confirmed that they did.

Mr. Torkelson remarked that this was an extraordinary number of bids. He said especially since the bonds were taxable and matured in a shorter time frame, they were attractive to a wider audience. He said this was a record number of bids.

Mr. Martin presented proposed Resolution No. 959 to the committee.

Resolution No. 959 awards the sale of approximately \$24,885,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2003T (Taxable), authorized by Chapter 9, Laws of 2001, 2nd Sp. Sess., and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 959. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said proposed Resolution No. 960 authorizes the issuance and sale of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003B and Series 2003C. He said these bonds would come up for competitive sale on September 18, 2002. Mr. Martin said the Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003B, of the state, in the principal amount of \$140,500,000, more or less, was authorized by Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843) and Ch. 431, Laws of 1993, (RCW 47.10.812); and the Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003C, of the state, in the principal amount of \$158,000,000, more or less, was authorized by Ch. 321, Laws of 1998 (Referendum 49) for the purpose of providing funds to pay and reimburse the state for the location, design, right of way, and construction of state and local highway improvements, fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds.

Mr. Martin referred to a letter from Douglas MacDonald, Secretary of Transportation, which described the projects to be funded with the bond proceeds. Mr. Martin then summarized the projects listed in that letter. Mr. Martin said the Series 2003B Bonds are tax-exempt current interest bonds, the interest will be paid semi-annually on the outstanding principal. The Series 2003B Bonds are structured to produce an approximate level debt service over the life of the Bonds. The Series 2003C Bonds are compound interest bonds, as such, the interest on the Series 2003C Bonds will be paid only at maturity. Mr. Martin said there was staff from the Department of Transportation to answer questions. Mr. Ybarra, Assistant Secretary of the Department of Transportation, introduced himself and thanked the committee for considering the bonds. Chairman Murphy asked Mr. Tonkin and Mr. Morrill if they knew of any pending litigation. Both responded they did not know of any pending litigation.

Mr. Martin presented proposed Resolution No. 960 to the committee.

Resolution No. 960 authorizes the issuance and sale of \$140,500,000, more or less, State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003B, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 431, Laws of 1993 (RCW 47.10.812), and Chapter 39.42 RCW; and \$158,000,000, more or less, State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2003C, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 960. Chairman Murphy seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the meeting was adjourned at 10:12 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary